

**House Report 107-152 - TREASURY, POSTAL SERVICE, AND GENERAL
GOVERNMENT APPROPRIATIONS BILL, 2002**

**MINORITY VIEWS OF THE HONORABLE STENY HOYER,
THE HONORABLE CARRIE MEEK, THE HONORABLE DAVID
PRICE, THE HONORABLE STEVEN ROTHMAN, AND THE
HONORABLE DAVID OBEY**

We would like to commend the Chairman for his efforts. While we do not agree with every recommendation, our views have been reflected in many aspects of this bill.

The TPO bill to be considered by the House is a significant improvement over the president's request. The Committee has provided \$17.0 billion in discretionary budget authority for this bill, \$1.1 billion higher than FY 2001 and \$340 million more than the president's request. These levels are much more consistent with the levels that we argued were necessary during the budget and tax negotiations. This additional funding helps to make up for the shortfall in the President's request.

For example, the President's request did not provide sufficient resources to maintain current programs, withholding \$150 million of necessary `non-pay' inflationary increases to cover the increased costs of things like rent, energy, fuel, and travel. This bill provides these funds. The budget also failed to request any funding for Treasury law enforcement agencies in support of the 2002 Winter Olympics. This is despite the fact that in August of 1999, the Winter Olympics were designated a National Special Security Event, meaning that the Secret Service would be the lead Federal agency for designing, planning, and implementing security. This bill also provides for these costs.

The President's budget also requested insufficient funds for the Automated Commercial Environment, or `ACE.' This essential initiative is key to modernizing how the Customs Service assesses and collects taxes and fees totaling over \$20 billion annually at over 300 ports. Intended to be a four-year, \$1.3 billion effort, this Committee provided the first installment of \$130 million for ACE in FY 2001 with the expectation that additional funding would be requested in the future. However, the Administration requested only \$130 million in FY 2002 and failed to request the required additional funding, thereby threatening to increase the total costs of developing the system and putting the legacy system in a position to crash and immobilize trade in this country. The Committee has acknowledged this problem and provided \$170 million over the President's request to continue this important modernization activity.

The bill also attempts to ensure that the Treasury law enforcement agencies have sufficient funds to combat terrorism, protect our borders, protect our Nation's leaders and dignitaries, prevent drug smuggling, and provide training for law enforcement. In the past, we have noted the discrepancy in funding for Treasury law enforcement agencies in comparison to Justice law enforcement agencies, despite the fact that the Treasury law enforcement function makes up nearly 40 percent of all Federal law enforcement. The President's budget request continued this trend of neglect. However, this bill provides several significant increases over the President's budget request for Treasury law enforcement, including \$45 million for the Secret Service to hire additional agents to reduce staggering overtime levels, \$15 million to hire additional Customs inspectors, \$33 million to improve Customs inspection technology, \$14

million for Customs air program improvements, and \$25 million for High Intensity Drug Trafficking Areas.

We are proud to have been able to make significant improvements to the bill during Committee consideration. For example, we were able to secure \$10 million to continue the First Accounts program. This program seeks to establish affordable banking accounts for low-income families, increase the availability of automatic teller machines in low-income neighborhoods, and educate low-income Americans about bank accounts. We also were able to ensure that Federal civilian employees would receive at least a 4.6 percent pay raise and that Federal employees participating in the Federal employees health program would continue to have contraceptive coverage.

Despite these improvements, and the additional funding provided above the President's request, we have a number of concerns that we look forward to working on in the future. We continue to be concerned with understaffing at the Customs Service. The Resource Allocation Model projects a need for almost 15,000 more staff, mostly Inspectors and Special Agents. None of the Customs locations show a decline in workload or staff coverages, so reallocation of staff does not appear to be a realistic option. The Customs Service is our first line of defense. We need to ensure that they have the resources they need to do their job effectively.

We also continue to be concerned about the decline in compliance activities at the IRS. In-person audits have decreased from 2 million in 1976 to 247,000 in 2000, a decline of 88 percent. Since 1997, there has been a significant decrease in audit coverage for large corporations (-60 percent), partnerships (-40 percent), and individuals (-62 percent). Most importantly, however, it appears that audit coverage may disproportionately impact lower-income taxpayers. The increased use of 'document matching' to ensure compliance (which focuses on 'verifiable' wage, salary, and non-investment income sources) excludes many higher-income taxpayers who often have income sources and deductions that are easily checked through document matching. Compounding the problem is the fact that the audit rate

for individuals making \$100,000 or more has declined by 65 percent from FY 1997 to FY 2000. While we are pleased that this bill contains an additional \$86 million to complete the hiring of over 3,800 employees to help improve compliance and customer service at the IRS, we believe that this Committee needs to take a larger role in ensuring the appropriate level of compliance in order to have an equitable tax system.

We are also concerned about the funding provided for new Courthouse construction. Despite providing additional funds above the President's request, the Committee bill falls well short of the Judiciary's request. Since FY 1996, when the Judiciary began approving prioritized, 5 year Courthouse project plans, only half of the Judiciary's infrastructure request has been enacted. This is not an issue of luxury for the Judiciary. The Courthouse request represents an effort to keep up with the skyrocketing judicial workload while ensuring a safe environment for employees, detainees, and the public. The longer we underfund the Court request, the more pressing the need becomes.

We have always been sensitive to the important separation between the Executive and the Legislative branches. This sensitivity is particularly important as Congress reviews the budget request for the Executive Office of the President. The President of the United States deserves the appropriate respect and deference. However, it is also important that Congress not relinquish its oversight responsibilities. We are very concerned that certain provisions included in this bill may have this effect.

On balance, we believe this legislation is a significant improvement from the President's request. We look forward to working with the Majority to continue to make improvements to the bill as it moves through the Congress.

David Obey
Steny H. Hoyer
Steven R. Rothman
David Price
Carrie P. Meek

